

Bonneville Power Administration

Power Business Line

Generation (PBL) Accumulated Net Revenue Forecast for Financial-Based Cost Recovery Adjustment Clause (FB CRAC) and Safety-Net Cost Recovery Adjustment Clause (SN CRAC)
FY 2004 Third Quarter Review Forecast

Report ID: 2200FY04	PBL Accumulated Net Revenue - FBCRAC & DDC					Data Source: PS Prod	
Run Date/Time: July 21,2004 11:15	Preliminary Unaudited/For Internal Use Only						
Reporting Period June 30, 2004	UOM: \$ in thousands					75%	
	<u>Actuals FY</u> <u>2000</u>	<u>Actuals FY</u> <u>2001</u>	<u>Actuals FY</u> <u>2002</u>	<u>Actuals FY</u> <u>2003</u>	<u>Current Fiscal</u> <u>Year Forecast</u>	<u>Accumulated</u> <u>Results</u>	<u>FY 2004</u> <u>Trigger</u>
Total Revenues	2,720,940	3,888,052	3,047,803	3,144,811	3,024,280	15,825,886	
Total Expenses	2,468,811	4,100,095	3,135,224	2,901,815	2,643,557	15,249,501	
Net Revenue (Expense) from Continuing Operations	252,130	(212,043)	(87,421)	242,996	380,724	576,385	
FAS 133: Accounting for Derivative Instruments and Hedging Activities		47,877	38,354	55,265	113,809	255,305	
Debt Service Energy Northwest (per Accounting Record)	525,441	445,148	264,168	417,744	410,684	2,063,185	
Debt Service Energy Northwest (per Rate Case)	607,118	603,001	528,865	565,829	557,480	2,862,293	
Modified Net Revenues	170,453	(417,773)	(390,472)	39,646	120,119	(478,029)	(264,000)

This report is reliant upon a forecast of projected end-of-year Accumulated Net Revenues (ANR) as adjusted per the rate filing (see below), and as of the reporting date. The report is published to determine if the Adjusted ANR (FB CRAC Adjusted ANR) [see following footnote] forecast at the end of the current fiscal year is below the FB CRAC Threshold, and the report is used to determine the FBCRAC Recovery amount or the Dividend Distribution Clause (DDC) amount, if any.

This report is not an absolute prediction of future revenue or costs, nor does it reflect the actual ANR for the end of the fiscal year, (unless otherwise indicated). This report should not be used for investment purposes, nor is it a guarantee that the actual ANR will be achieved as forecasted.

The ANR is defined in the 2003 Safety-Net Cost Recovery Adjustment Clause (CRAC) Final Proposal ROD as "generation function net revenues, as accumulated since 1999, at the end of each of the FY 2001- 2005...confirmed by BPA's independent auditing firm." The ANR is distinguished from the BPA ANR in three ways:

the ANR does not include the impact of SFAS 133 transactions (Accounting for Derivative Instruments and Hedging Activities);

the ANR includes the Energy Northwest debt service (ENW DS) expenses as forecasted in the WP-02 Final Studies, (instead of the actual ENW DS expenses as used in calculating the BPA ANR);

the FB CRAC Adjusted ANR excludes any IOU settlement payments resulting from litigation and includes IOU benefits payments as forecasted in the SN-03 Final Proposal.

Power Business Line FY 2004 Third Quarter Results

3rd Qtr Forecast compared to 2nd Qtr Forecast:

•PBL Modified Net Revenue is up by \$74 million

- Forecasted net secondary sales are up by about \$56 million, primarily due to an increase in generation assumed to be available from reduced summer spill, now not expected to occur, accompanied by a slight increase in the average annual weighted net sales price.
- Forecasted program expenses are down primarily in the areas of net interest expense, fish and wildlife and internal operations, offset by small increases in other categories.

3rd Qtr PBL Forecast compared to August 28, 2003 Power Rate Case Workshop :

•PBL Modified Net Revenue is down slightly by \$9 million

- Actual and forecasted net secondary sales declined \$95 million from August estimate due to decreased generation caused by the reduction in annual hydro volume forecast

from 134 to 110 maf, primarily offset by the planned reduction of summer spill, now not expected to occur, and a \$9/MWh increase in the average annual weighted net sales price.

- The reduced net secondary sales almost completely offset by a total of \$86 million in actual and forecasted reductions of expenses in net interest, internal operations, and forecasted changes in other categories.

Several uncertainties are still in play for the remainder of FY04:

- The financial assumptions used for the 3rd Qtr Review assume reductions in late summer spill, which were previously estimated to increase revenue about \$20 to \$40 million. Spill reductions have since been enjoined by a federal court making realization of these revenue projections unlikely.
- While gas prices remain strong, market prices for August & September remain uncertain.
- Fish and Wildlife Direct Program forecasts were reduced \$12 million from the 2nd Quarter forecasts based on an improved forecasting methodology. Experience from last year makes us cautious as to whether this reduction will be realized.
- Forecasts assume continuous ENW Columbia Generating Station operation for the remainder of the year.